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Mattress World sunk by Washington tax penalties

Portland Business Journal by Wendy Culverwell , Business Journal staff writer

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Portland's Mattress World Inc. is going out of business following a dispute that left it owing approximately \$2 million in taxes and penalties to the state of Washington.

[Sherri Hiner](#), owner and president of the seven-store mattress retailer, said the company will shut down "soon" and lay off its 80 employees. Its Clackamas offices have been packed up and its warehouse is nearly empty.

Hiner said she's lost everything, including her home and vehicle, in a dispute with Washington state over sales to residents of Clark County.

The dispute began in late 2009 when the Washington Department of Revenue notified Mattress World it qualified as a Washington business under the legal concept of "nexus." Washington law says nexus is created when out-of-state firms install products there.

When that happens, the business is liable for sales and other taxes. The sales tax rate in Clark County is 8.2 percent.

Mattress World doesn't have any locations in Washington state.

That doesn't matter, said [Mike Gowrylow](#), a spokesman for the Washington state Department of Revenue. Because Mattress World delivers products there, it must still pay sales and other applicable taxes.

The state employs about 40 revenue officers who registered 823 out-of-state businesses in 2011. That's a typical level of activity, said Gowrylow.

Gowrylow couldn't comment specifically on Mattress World, but said the state has not increased enforcement.

"Businesses that choose to do business in Washington need to understand that they need to comply with our tax laws. It's our job to enforce the laws when they don't," he said.

It typically investigates when it receives tips or complaints about businesses that may be operating in its borders. It generally does not seek to recover sales taxes on items purchased elsewhere and brought to Washington, with the exception of big-ticket items such as vehicles, airplanes and boats.

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Wendy Culverwell covers real estate, retail and hospitality.



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